

Dear Colleague.

The Democratic leadership has done everything they could to negotiate a responsible bill, but the Bush/Paulson bailout was based on a false premise. Paulson purports that a \$700 billion injection of liquidity at the top by assuming “illiquid assets” will trickle down and shore up the underlying economic and housing woes. Furthermore, the Bush/Paulson/Republican Congress insisted that the conditions added to the bailout be riddled with loopholes.

1 - The Recoupment Clause Will Not Recover Any Lost Funds: It merely says a future President 5 years hence shall propose a plan to Congress to possibly recoup any losses.

(Sec. 134) [Page 89]

[1]

2 - Foreign Company Loophole: The bailout has been opened up to foreign companies with “significant operations in the United States”(Sec. 3 (5)) [Page 4]

3 - Foreign Central Bank Loophole: The bailout has been opened up to foreign central banks that hold bad assets from failed or defaulted financial institutions. (Sec. 112) [Page 32]

4 - Taxpayers Can be Saddled with Assets of Any Type: The bailout has been expanded to include car loans, auto loans and any other financial instrument as determined by the Secretary. (Sec 3 (9)(B) [Page 5] _5 - Severely

Limited Judicial Review:

Courts are prohibited from issuing any injunctions or relief on the basic premise of the legislation and the conflict of interest rules. (Sec. 119(a)2(A)) [Page 58]

6 - Executive Compensation Loopholes: Multiple loopholes for corporations to escape the limitations on golden parachutes, incentives, bonuses, and corporate deductions for executive salaries. (Sec. 111 and Sec. 302) [Page 29-32 and 98-109]

7 - No Fix of the Underlying Regulatory Failures: The next administration is required to send numerous reports to Congress. Unfortunately, Wall Street will have already received its bailout and have no incentive to support new reforms. (Sec. 105 [Page 17]

8 - \$700 Billion Cap Loophole: The Secretary can sell assets and continue to buy more assets as long as the total purchase value remains under \$700 billion. Any losses during the sale of assets are not considered. (Sec 115(b)) [Page 40]

9 - Foreclosure Mitigation is Voluntary: The taxpayers are being saddled with all the risk, but the lender is "encouraged" to minimize foreclosures (Sec. 109(a)) [Page 24]

10 - Full Authority to Spend \$700 Billion: Congress has a mere 15 calendar days to object to the Secretary spending the second half of the \$700 billion bailout. The President can veto the measure requiring the customary 2/3 to override. Besides this bailout, when is the last time we

passed anything that fast? (Sec. 115(a)) [Page 39-40]

11 - Insurance Rates are Not Required to Follow Risk: The Secretary “may” (as opposed to the mandatory “shall”) set insurance premiums based on risk. Not setting premiums based on risk could leave the insurance trust fund seriously underfunded and leave taxpayers liable. (Sec. 102 (c)2) [Page 10]

12 - Money-Making Mergers: A loophole allows corporations to use a merger or acquisition to buy up troubled debt at below market rates and sell to the taxpayer at the higher government rate. (Sec. 101(c)) [Page 9]

Please oppose the bailout. There are many other less expensive alternatives that can restore liquidity to the market.

Sincerely

Peter DeFazio